FINANCIAL OPERATIONS OF OHIO FARMER OWNED ELEVATORS DURING THE FISCAL YEAR 1937-38

by

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Foreword

The Department of Rural Economics of Ohio State University has issued each fall for several years past a bulletin summarizing the financial operations of the farmer owned elevators of the state for the preceding fiscal year. The following pages constitute the tenth number in this series, and give the data for the fiscal year 1937-38. While 50% to 60% of the companies have a fiscal year ending with December 31, the remainder of them end their year at various dates from February 28 to June 30, or November 1 to December 15, and we must take the data for whatever happens to be their fiscal year. Hence the reader should recognize that the data do not all fall in any twelve month period, but are a summary of the data for the last fiscal year of the respective companies.

The tables given below, in addition to comparative data from preceding years, are based on the following:

1. The main balance sheet and income and expense items from 149 companies, operating 194 plants.

2. Detailed analysis of expense items from 48 companies.

3. Commodity sales and margins from 36 companies.

4. Accounts receivable data from 20 companies.

In view of the influence of volume of business on expense ratios and on profits, we have from the beginning divided our companies into groups on the volume basis. Changes in price levels have forced us at times to move the dividing line, but the principle has been the same. In this bulletin the dividing line is similar to that of last year, the first four groups being composed of companies that operate only one plant each.

Group I	-	Companies under $75,000 in sales volume.
Group II	-	With volumes from $75,000 to $150,000.
Group III	-	With volumes from $150,000 to $225,000.
Group IV	-	With volumes above $225,000.
Group V	-	All companies operating more than one plant each - 28 companies operating 73 plants.

Chapter I

Introductory

How did the farmer owned elevators of Ohio fare during the past year?

Of the 149 companies in our study 118 showed gains of an average of $5000 each and 31 showed losses averaging about $2650 each. The detail for the different groups is shown in Table I below.

Table I

Gains and Losses by Groups - Farmer Elevators of Ohio 1937-38

Group	No. in Group	Showing Gains		Showing Losses		Net Gain of Group	Net Gain per Company
		No.	Amount	No.	Amount		
I	12	6	$ 5,135	6	$ 5,720	$ -585	$ -49
II	51	38	100,053	13	25,024	75,029	1,471
III	34	29	114,203	5	18,390	95,813	2,818
IV	24	22	175,958	2	6,509	169,449	7,060
V	28	23	194,578	5	26,636	167,942	5,998
All	149	118	589,927	31	82,279	507,648	3,407

We note as usual the increase of gains per company as volume increases, but the quite unusual fact that every group contains some companies showing a loss.

Group V is made up of companies each operating two or more plants. Its gain per company is as usual between those of III and IV, though its volume per plant is considerably below that of Group III.

How does this record for 1937-38 compare with that of preceding years?

The gain per company of $3407 is far below that of 1936-37 which was $9013 and even below the $4608 of the year before. Likewise the number of companies showing losses, 31, is to be compared with 5 for the preceding year and 11 for two years before.

Why?

1. Generally declining markets through the small grain season of 1937 as compared with stable markets during 1936. Gross trading margin per elevator was nearly $5000 lower.

2. Less grain and poorer quality.

3. Handling of wheat on excessively low margins. We have data on the wheat handled by 35 companies - $2,288,000 with a gross trading margin of $7531, one third of 1%, or on dollar wheat a third of a cent gross profit per bushel.

4. Higher expense ratio - 7.8% - as compared with 6.1% in 1936-37. This is due in part to the lower volume of business, but also to the fact that expense is about $1000 per company higher in spite of the decreased volume.

Other factors involved will develop in connection with other tables.

The relation of price indices to volume, gains and expense is shown in Table II below.

Table II

Figures of Ohio Farmer Elevator Operations
Compared with U.S.D.A. Indices of Farmers' Price,
1929-1937

	1929	1931	1933	1935	1936	1937
Farmers' Buying Price (1909-14 = 100)	153	124	109	125	124	130
Farmers' Selling Price (1909-14 = 100)	146	87	70	108	114	121
Volume in Thousands of Dollars	170	108	102	176	248	208
Gross Trading Margin (in dollars)	13077	10386	10088	15231	21286	16470
Total Expenses in per cent of Sales	7.6	10.9	10.8	7.3	6.1	7.8
Net Profit per company (in dollars)	2991	1143	1698	4608	9013	3407

Note that the indices for each year are averages for the whole year; the crops moved in the fall when grain crop index for 1937 averaged 105 as compared with 126 for the year. Those companies whose fiscal year ends April 30 to June 30 had a materially lower price level still.

And now how do farmer elevators of Ohio compare with business at large in the success of their operations?

For some years the National City Bank Magazine has in its April or May issue of each year given a summary of the financial operations of the preceding year for some 2000 of the largest corporations of this country with a net worth of some 25 billions of dollars. Beginning with 1932, the worst year experienced by the elevators of Ohio during the period of our records (1920-21 may have been worse), the record of net gains for the two groups in percentages of net worth are as follows:

	Big Business		Farmers Elevators	
1932	Loss	.4 of 1%	Gain	1.75%
1933	Gain	2.7%	"	4.85%
1934	"	4.5%	"	10.3%
1935	"	5.1%	"	11.1%
1936	"	7.4%	"	20.7%
1937	"	6.7%	"	10.4%

Industrial and trading corporations which are more nearly comparable to elevators made in 1936, 10.1% of net worth, about half the net gain ratio of the elevators, and in 1937, 10.7% of net worth.

We must again caution our readers against reading too much into such a comparison. One often heard when an occasional elevator or other cooperative failed during the 1930-33 period, "Cooperatives can't succeed; see what happens to them when hard times strike." But failures and losses were far from confined to cooperatives. The comparison above seems to show that the troubles of farmers' elevators in recent years are a part of the general economic situation, and that in such troublous times the cooperative elevators have shown themselves able to meet the problems confronting them at least as well as big concerns, presumably well capitalized and with highly paid managements. It is in this thought that the comparison is presented.

Chapter II

What are the principal sources of income of Ohio Farmer Elevators?

The two tables below present a general answer to this question, the first of them giving total sales and total income from the major sources of income for the companies in each group and finally for the whole number in our study. Then Table IV gives the same data in averages per company, with a percentage column indicating the percent of total income coming from trading margin.

Table III

Total Sales of Ohio Farmer Elevators by Groups for 1937-38
with Total Receipts from each of the Major Sources

Group	No. Companies	Sales	Trading Margin	Grinding Income	Other Income	Total Income
I	12	$ 625,286	$ 57,764	$ 12,846	$ 7,690	$ 78,301
II	51	5,839,401	485,557	75,344	31,134	592,035
III	34	6,317,481	489,058	74,332	22,941	586,331
IV	24	7,803,584	571,174	71,800	31,464	674,438
V	28	10,404,624	850,535	89,193	39,683	979,410
Total	149	30,990,376	2,454,088	323,515	132,912	2,910,515

Table IV

Sources of Income of Ohio Elevator Companies 1937-38
in Averages per Company for each Group

Group	Sales per Company	Trading Margin	Grinding Income	Other Income	Total Income	What % of Total Income is from Trading Margins
I	$ 52,107	$ 4,814	$1,070	$ 641	$ 6,525	73.8
II	114,498	9,521	1,477	610	11,608	82.0
III	185,808	14,384	2,186	675	17,245	83.4
IV	325,149	23,799	2,992	1,311	28,102	84.7
V	371,594	30,376	3,185	1,417	34,978	86.8
Total	207,989	16,471	2,171	892	19,534	84.3

Note that the large percentage of income received by the Group I companies from grinding and other income, indicates that the value of a company to its community is measured in service as well as volume.

Trading margin for the whole group (with nearly identical companies) advanced steadily from the low year of 1932-33 to 1936-37, but this year has fallen from last year's figures by more than $700,000, of which perhaps $500,000 might be attributed to decline in volume of sales and $200,000 to losses on wheat and to declining prices. One notes that grinding income increased by $21,000 and "other income" by $8,000.

This "other income" includes recoveries of debts written off in preceding years, interest on receivables and investments, dividends on stock and patronage in central organizations, and receipts from trucking. The last two items especially are contributing increasingly in recent years; trucking well may, for it is a rapidly increasing expense (See Table X, p. 11).

As to grinding income, in the early years of our study we found farmers feeding up more of their grain, and also grinding more of it to mix with concentrates, so a steady increase in grinding income appeared. Then came the traveling grinder which not only took part of the grinding, but forced lower rates in many areas, nor did the low prices for livestock, milk, eggs, encourage much grinding of feed. The trend changed in 1935, and income from this source is on the way up, as the totals of grinding income for the various years show.

1930-31	$342,000	1934-35	$171,000
1931-32	284,000	1935-36	230,000
1932-33	234,000	1936-37	302,600
1933-34	190,000	1937-38	323,500

We raised last year the question whether rural electrification may result in an increased number of grinders on farms, ultimately reducing elevator grinding. Such a result has not yet appeared.

For a comparison of the incomes from various sources for the past several years, see Table V below which presents the totals for the whole number of companies in each year's study. The companies are identical to the number of about 140, with one to three changes in any two successive years.

Table V

Income of Farmer Owned Elevators for the Years 1932-1938
as Shown by the Totals for the Whole Number in each Year's Data

	1932-33	1935-36	1936-37	1937-38
No. Companies	146	150	150	149
Sales	$12,282,453	$26,363,825	$37,115,864	$30,990,376
Trading Margin	1,372,047	2,284,596	3,192,900	2,454,088
Grinding	234,206	230,058	302,637	323,515
Other Income	105,245	102,203	124,866	132,912
Total Income	1,711,498	2,616,857	3,620,403	2,910,515

What commodities contribute most to the trading margin income?

This varies with every company; it varies between any two sections of the state, especially between western and eastern Ohio; it varies with different years, as the district which ships 10 cars of wheat one year may ship 30 another year; it varies with weather conditions at harvest and resulting quality of grain. However, a fairly accurate picture can be gotten from Table VI below. From the audit summaries of 36 companies whose "commodity analyses" as we have them are fairly complete we get the data for 1937-38 presented in the table below, the data for other years being derived in each case from a slightly larger number of companies.

Table VI

Commodity Sales and Trading Margin in Farmers' Elevators
as shown by Data from 36 Companies, 1937-38

Commodity	No.	Sales	Margin	Per cent of Margin	Margins in preceding yrs. 1935-6	1934-5	1933-4
Wheat	35	$2,288,337	$ 7,531	.3	.38	4.2	5.7
Corn	29	1,739,155	91,729	5.3	6.6	7.0	8.9
Oats	27	402,473	26,268	6.5	10.6	9.4	11.6
Other Grains	10	63,854	7,404	11.6	7.7	5.2	26.3
All Grains		4,493,819	132,932	3.0	4.2	5.5	7.4
Soy Beans	5	26,425	1,720	6.5	7.9	8.9	
Hay and Straw	10	23,882	3,405	14.3	15.4	9.1	12.1
Livestock	5	585,911	6,110	1.0	1.0	2.0	1.0
Total Sales of Farm Products		5,130,037	144,167	2.8	3.8	5.2	
Feed and Flour	25	1,251,719	147,349	11.8	15.8	15.5	12.5
Seed	26	252,616	33,375	13.2	15.4	9.1	13.0
Fertilizer	22	273,038	38,477	14.1	12.4	12.5	12.5
Coal	27	534,290	107,767	20.2	17.0	19.0	18.8
Bldg. Material	4	41,023	9,157	22.3	18.9	21.8	25.5
Farm Machinery	7	252,530	39,996	15.9	16.6	19.2	22.9
Hardware	6	275,452	36,879	13.4	11.2	15.3	
Twine	12	14,267	1,213	8.5	6.7	10.1	11.6
Fence & Posts	14	45,536	7,944	17.4	15.7	12.3	12.1
Gas & Oil	10	108,296	15,695	14.5	14.0	14.4	16.5
Lumber	6	323,083	51,021	15.8	16.3	20.4	
Gen. Mdse.	33	1,057,948	158,935	15.0	13.4	12.5	15.0
Total sales of Farm Supplies		4,429,798	647,808	14.6	14.9	14.7	15.0
Grand Total	36	9,559,835	791,975	8.3	7.7	8.8	

An examination of this table brings out several interesting facts:

1. That elevators have for two years been handling wheat for far less than handling costs - have been handling wheat for practically nothing. Averages seldom tell the story however; 22 of the 35 companies represented in the wheat figures gained $38,700 while the other 14 lost $31,200; but only a few of the 22 made enough to cover handling costs.

2. People still talk of "side lines"; if it had not been for the "side lines" this year many more companies would have been "in the red." These 36 companies handled $5,130,000 of farm products at a gross margin of $144,000, while $4,430,000 of "side lines" contributed $647,800 to cover expenses and yield profits.

3. Contrast the wide variations in margins on grain with the relatively consistent margins on merchandise and supply items. The gradual expansion into more lines of merchandise and more emphasis on them points not only toward wider service to the community, but toward greater stability of income.

4. The larger margin on merchandise items (14.9%) than on grain (4.2%) is justified by greater handling expense. Grain generally comes in in wagon or truck loads, and goes out in carloads or truckloads; merchandise items are handled in small units, often involve service in handling, in delivery and records, are often in stock longer and occasionally prove unsalable, and may involve losses on accounts. Part of the larger margin on oats and corn than on wheat is due to the many local sales for feed; i.e., they are in part merchandise items.

5. And finally we always present such a table as this with some misgivings. Competitive conditions temporarily affect trading margins on a particular commodity; weather influences may reduce margins (the low margin on wheat for 1937-38 is due largely to the wet wheat which some elevators handled at very little gain or even a loss); varying prices may catch a manager loaded up with a big stock on which he may lose or "make a killing"; - such are a few of the factors which may make any one of these ratios vary from normal. Where year after year a ratio is fairly uniform it must have considerable validity; e.g., fertilizer around 12%, coal seldom far from 18%, and merchandise in general about 15%.

Still another angle from which to view the margins of gross gain secured is presented in Table VII below. This table shows the total sales of the various groups and the gross trading margin on these sales. The figure in the next column can be read, either as per cent of margin on sales, or as the average number of cents of gross gain per dollar of sales. For comparison, the following columns give the corresponding margins for several earlier years.

Table VII

Trading Margins of 1937-38
Compared with those of Earlier Years

Group	1937-38 Sales	Trad. Margin	Per cent of Margin	Per cent of Margin, former years 1936-7	1934-5	1932-3	1930-1	1928-9
I	$ 625,286	$ 57,764	9.2	11.4	12.4	12.4	10.6	9.5
II	5,839,401	485,557	8.3	10.3	10.8	11.6	9.0	9.7
III	6,317,481	489,058	7.7	9.3	9.8	11.0	8.1	9.1
IV	7,803,584	571,174	7.3	7.5	8.8	10.5	6.2	7.2
V	10,404,624	850,535	8.2	8.6	9.3	10.2	7.5	8.2
Totals & Averages	30,990,376	2,454,088	7.9	8.6	10.0	11.2	8.2	8.7

For a time following 1928-29, the per cent of trading margin was declining but with low prices and low dollar volumes in the depression years, the margin ratios began to climb. Since 1932-33, increasing volumes have made possible lower trading margins as is shown continuously down to date. This past year, the decline was accentuated by heavy losses of some companies on wheat - a type of reduction in margins which probably no one intended.

An examination of every column finds the larger volume companies operating on lower margins than the small volume companies. This shows that their greater net gains are due primarily to lower expense per dollar of sales.

A comparison of the 8.3% margin in Table VI with the 7.9% margin in Table VII would seem to indicate that our sample of 36 companies had happened either to be more fortunate than the general average, or had somewhat more merchandise business than the average.

Chapter III

Expenses of Farmer Owned Elevators of Ohio 1937-38

The first picture we present is the general relation of total expense to total income for each group.

Table VIII

Income and Expense of Ohio Farmer Elevators 1937-38
Average per Company by Groups

Group	No. in Group	**Sales**	Gross Income	Total Expense	Net Gain	Ratio*
I	12	$ 52,107	$ 6,525	$ 6,574	$ -49	100.7
II	51	114,498	11,608	10,137	1,471	87.3
III	34	185,808	17,245	14,427	2,818	83.6
IV	24	325,149	28,102	21,041	7,061	74.9
V	28	371,594	34,978	28,981	5,997	82.8
Averages	149	207,989	19,534	16,127	3,407	82.5
Per Plant	194	159,744	15,003	12,386	2,617	82.5

* The per cent of the total income which is required to cover total expense.

The most striking thing is the lessened income per company as compared with last year ($3,407 as compared with $9,013). This reduction of net income is due not alone to the decline of some $4,500 in gross income, but to an absolute increase in expense. In 1936-37 it required 62.6% of total income to pay expenses; in 1937-38 it took 82.5%.

Another view of expense is presented in Table VIII below, which gives for each group the average allowances per company for depreciation and bad debts, the outlays for interest and operating expense, and in the last two columns the number of cents of expense for each dollar of volume for each group.

Table IX

Major Expense Items - Farmer Elevator Companies 1937-38
Averages for 149 Companies

Group	Average Sales	Interest	Depreciation	Bad Debts	Oper. Expense	Total Expense	Expense Ratios Oper.	Expense Ratios Total
I	$ 52,107	$211	$ 606	$ 91	$ 5,666	$ 6,574	10.9	12.6
II	114,498	261	1,095	283	8,498	10,137	7.4	8.8
III	185,808	212	1,545	252	12,418	14,427	6.7	7.8
IV	325,149	211	1,823	552	18,455	21,041	5.7	6.5
V	371,594	484	3,038	1,058	24,401	28,981	6.6	7.8
Av. per Co.	207,989	280	1,640	450	13,757	16,127	6.6	7.8
Av. per Plant	159,744	215	1,260	345	10,566	12,386	6.6	7.8

The share which each major item of expense constitutes of the total expense dollar is shown in Table X below.

Table X

Percentage which each Expense Item is of Total Expense.
Data for 1937-38 are from 48 Companies

Item	1937-8	1936-7	Av. 3 yrs.*	Item	1937-8	1936-7	Av. 3 yrs.*
Labor	51.0	50.7	49.6	Truck	5.8	5.9	2.8
Power	7.2	8.6	8.8	Off. Supplies	1.9	1.9	2.4
Insurance	4.3	4.7	4.9	Rent	0.5	0.6	
Taxes	5.6	3.2	4.7	Interest	1.6	1.5	4.8
Supp. & Rep.	4.4	5.6	3.8	Depreciation	9.0	9.5	11.2
Advertising	1.5	1.4	1.1	Bad Debts	2.6	3.1	2.8
Post. & Tel.	1.0	1.0	1.0	Miscellaneous	2.5	1.3	1.7
Aud. & Legal	1.1	1.0	0.4				

* The years 1929-30, 1930-31, 1931-32.

An examination of Table X calls out the following comments:

1. In the depression years every company tried to cut expense. Many items like depreciation, power, insurance, were not within easy control. Wages constitute the expense easiest to attack and large cuts were made at this point. With the coming of more prosperous times, wage scales are coming back to normal. Thus we find the 49.8¢ share which wages were of the expense dollar about 1930 cut to 45.4¢ and then coming back in 1935 to 48.1¢, 50.7¢ in 1936-37, and 51¢ in 1937-38.

2. As to taxes, social security taxes plus heavy income taxes on 1936 earnings gave us for 1937-38 a ratio of taxes to total expense higher than in any other year of our studies to date.

3. The interest charge has been declining almost ever since this series of studies began (1929), and is now only a third of the share of total expense which it was in 1929-32.

4. Reserves and write-offs of bad accounts, abnormally high in depression years have been declining for some time. This year the percentage decline has continued, though the average reserve in dollars is $20 higher than last year. When one notes that the average amount of receivables held by each company is $2500 higher than a year ago, he wonders if write-offs will not ere long require increases.

5. More and more companies are putting on trucks to haul in grain and to deliver merchandise; many companies have two or three trucks. Hence the more than doubling of truck expense in recent years. Note too that this "truck expense" covers merely repairs and operating expense; the cost for drivers and the depreciation on trucks appears in the "labor" and "depreciation" charge.

6. For two years past we have been saying in these bulletins: "Several companies have their plants written down to rock bottom values, and cannot write off much more - which fact may partly account for declining depreciation charges." This year's data seem to add further evidence.

Chapter IV

The Financial Resources and Liabilities of Farmer Elevators of Ohio

And now, what is the financial status of the farmer elevators of Ohio at the end of the fiscal year 1937-38.

For three years past, the answer to the similar question has been, "the best it has been at any date for which we have figures." This is no longer quite true, for the payment of large patronage and stock dividends by some and the losses suffered by some in the past year have resulted in a status not quite equal to that at the end of 1936-37.

The following data present the story in summary form:

	No. of companies having surpluses	No. of companies having deficits	Value per $100 share for whole group.
1934-35	123	24	$142.66
1935-36	127	23	146.53
1936-37	138	12	164.33
1937-38	134	15	157.14

Thus 1937-38 is better than any recent year excepting 1936-37.

The more complete picture for 1937-38 appears in Table XI below.

Table XI

Surplus and Deficit Status of Ohio Farmer Elevators 1937-38

Group	No. with Surplus		No. with Deficit		Net	Av. Per	Value per
	No.	Amount	No.	Amount	Surplus	Company	$100 share
I	8	$ 35,435	4	$ 13,553	$ 21,882	$ 1,823	$114.03
II	45	508,820	6	58,514	450,306	8,830	141.82
III	32	592,443	2	3,454	588,989	17,029	167.27
IV	23	582,836	1	1,739	581,097	24,212	169.53
V	26	774,632	2	50,455	724,177	25,863	160.47
Total	134	2,494,166	15	127,715	2,366,451	15,882	157.14

In comparing this table with last year's table one finds that one company has dropped out of the picture, and 3 have fallen from the surplus into the deficit class. Of the 149, 134 have surpluses averaging $18,613 per company, and 15 have deficits averaging $8,514. Of this $127,715 of deficit, $50,000 of it is in two companies, and another $35,000 in three more.

If one compares $157.14 value per $100 share with the $130 value of some years ago, he should recognize that plant values and receivables have been written down and are now generally on a very conservative basis, so that the progress made is really greater than the mere difference of stock values would indicate.

The whole stock outstanding in the 149 companies is $4,142,000 issued at varying par values. Originally $100 was the most common par value, with several companies issuing $50 shares and a few, $25 shares. Many companies to encourage incoming memberships have changed their stock to $25 and even $10 shares.

What are the total resources of the farmer elevators of Ohio?

The 149 companies in our data ended the fiscal year 1937-38 with total resources of $8,008,212. Remembering that some 20 farmer owned companies among which are some fairly large ones such as Avery, Okolona, Bellevue, Elmore, are not included in our data, it would overestimate the facts little if any to say that total resources of the farmer owned elevators are $8,500,000 and the net worth $6,800,000.

How do resources now compare with a year ago?

Last year's figures covered 150 companies. One of these is now privately owned, and our data for this past year include the remaining 149. Deducting that one company's figures from last year's total gives us the data in Table XII covering the same 149 companies for the two years.

Table XII

Resources and Liabilities of 149 Farmer Owned Elevators of Ohio for the two years 1936-37 and 1937-38

Resources	1936-37	1937-38	Liabilities	1936-37	1937-38
Cash and Bank	$1,098,069	$ 802,763	Notes Payable	$ 646,427	$ 815,234
Receivables	1,559,858	1,943,671	Dividends Payable	279,722	155,045
Inventory	2,081,506	1,844,988	Other Payables	539,139	528,860
Net Plant	3,032,344	3,246,196	Capital Stock	3,960,655	4,142,622
Investments	144,246	109,962	Surplus	2,551,663	2,366,451
Other Assets	61,583	60,632			
	7,977,606	8,008,212		7,977,606	8,008,212

In this and other tables "Cash" includes till money, bank balance, and savings accounts. It is over $5000 per company but about $2000 below that of a year ago. This is not serious; the smaller companies have as much cash as the year before; the large companies were not carrying such huge cash accounts as at the end of 1936.

Receivables includes customer and grain accounts receivable and notes receivable, less reserves for incollectible items. "Inventory" includes grain on hand awaiting shipment, grain in transit to buyers, and grain and merchandise on hand for sale locally, all valued at cost or market, whichever was lower.

"Plant value" is book value of real estate, plant, equipment and trucks, after depreciation reserves are deducted. Plant value for the group seldom increases more than 5% per year. The increase of 16% in the past two years is due to two things principally - the building of new elevators by several companies, and extensive improvements by several others from the profits of 1936 and 1937.

"Investments" includes mainly stock held in central sales organizations and shares taken to assist in reorganizing local banks. (The farmers' elevator is often the heaviest depositor the local bank has). "Other assets" includes prepaid expense, sales tax stamps on hand, "restricted deposits" in banks and any miscellaneous items.

It must be emphasized that "Dividends Payable" nowhere nearly represents total dividends paid. Many companies had paid dividends on the stock before the audit date; many had not declared dividends, especially patronage dividends at the time the audit was made. It is true, however, that the decline from last year in the figure for "Dividends Payable" goes hand in hand with a marked decline in dividends paid. A decline in earnings per company from $9013 to $3407 must result in this way.

"Notes Payable" and "Receivables" we leave for discussion in the next chapter.

How the various groups compare in the distribution of these resources and liabilities is shown in Tables XIII and XIV.

Table XIII

Resources of Ohio Farmer Owned Elevators, 1937-38
in Averages per Company in each Group

Group	Cash	Net Receivables	Inven-tory	Plant Value	Invest-ments	Other Assets	Total Assets
I	$1,954	$ 6,079	$ 5,938	$10,345	$ 98	$138	$24,552
II	4,619	7,807	8,324	14,203	208	251	35,412
III	3,920	12,225	12,156	21,599	865	396	51,161
IV	9,678	12,663	11,379	22,214	932	542	57,408
V	4,718	24,162	21,820	35,908	1,241	565	88,414
Average	5,388	13,045	12,382	21,787	738	407	53,747

Table XIV

Liabilities of Ohio Farmer Owned Elevators, 1937-38
in Averages per Company for each Group

Group	Notes Payable	Dividends Payable	Other Payables	Inc. Tax: Reserve	Net Worth	Total Liabilities
I	$ 5,486	$ 244	$2,839	$ 14	$15,969	$24,552
II	4,119	89	1,902	125	29,177	35,412
III	5,899	848	2,867	250	41,297	51,161
IV	2,318	1,176	2,882	224	50,808	57,408
V	10,339	2,632	6,343	468	68,632	88,414
Average	5,471	1,041	3,314	236	43,685	53,747

In examining these tables, one may note that in each group plant values represent about 40% of total assets, inventory another nearly 25%, and receivables another 25%. The companies operating several plants have a slightly higher ratio of receivables, which may or may not indicate some difficulty in handling receivables thru branch plants.

Taking the final averages in the last two tables we get the following balance sheet for an "average Ohio farmers' elevator."

Average of Balance Sheets of 149 Ohio Farmer Owned Elevators,
End of Fiscal Year, 1937-38

Cash	$ 5,388	10.0%	Notes Payable	$ 5,471		
Receivables	13,045	24.3%	Dividends Pay.	1,041		
Inventory	12,382	23.0%	Inc. Tax Pay.	236		
Plant	21,787	40.5%	Other Payables	3,314		
Investments	738	1.4%			10,062	18.7%
Other Assets	407	.8%	Capital Stock	27,803		
			Surplus	15,882		
	53,747				43,685	81.3%
					53,747	

Thus Net Worth is above that of the year before by $192 and there is no important change from last year except that Receivables have risen from less than 20% of total assets to more than 24%.

Chapter V

Miscellaneous

At what points of income and expense did the decline in net income per company occur?

Net Gain per Company 1936-37				$9013
Decline in Trading Margin		$4815		
Gain in Grinding Income	$153			
Gain in Other Income	60	213		
Net decline in income			$4602	
Increase in interest paid	20			
Increase in depreciation	91			
Increase in operating exp.	1109	1220		
Decrease in bad debt reserve		216		
Net increase in expense			1004	
Total reduction in net income				5606
Net income per company 1937-38				3407

What changes in the Notes Payable record during the past year?

The 149 companies have in Notes Payable outstanding $815,000 as compared with $646,000 at the end of the preceding year - an increase of $171,000. This increase is due in part to the losses of several of the companies; 12 companies suffered losses in excess of $2500 each, and most of these as well as some others had to borrow to provide working capital. Some 20 others have in the past two years built elevators, warehouses, sales rooms, or shops, or made large increases in inventories of hardware or machinery. More than $450,000 was spent in plant improvement, for we find plant values have increased $216,000, (See Table XII) in spite of depreciation deductions of $240,000 for the year.

What changes in the Receivables situation?

We called attention last year to the fact that the downward trend in receivables beginning about 1932 had continued to 1936-37; that year saw an increase of about $1\frac{1}{2}\%$ in total receivables, but as that increase accompanied a 40% increase in business volume, it was not significant. But what shall one say of this year's increase in receivables per company from $10,443 to $13,045? - an increase of $2600 or about 25%, accompanying a decline of 16% in volume of business.

For reasons one does not have to go far. Two years ago business conditions seemed to encourage farmers to expand certain lines, and to encourage dealers to sell in hope of future payment. Then came poor crops of wheat and oats and also declining prices for farm produce in late 1937 and early 1938. How could accounts be paid? Too many were not paid.

Of the 149 companies, 24 managed still to reduce receivables outstanding, and 10 more to hold them practically at a standstill. The other three fourths of the companies suffered increases which average $3300 per company.

The trend of month end balances is shown in Table XV below. Beginning with 1928, we had the month by month debits, collections, and balances of accounts receivable from 17 companies for every year down to 1934. In 1935 we lost two of the 17, and added 5 others, so the data in the table cover 17 companies for 1929 and 1933 and 20 companies for 1936 and 1937.

Table XV

Trend of Month End Balances of Accounts Receivable *

	1929	1933	1936	1937
January	$12,309	$11,676	$10,541	$10,712
February	12,092	11,947	10,968	11,674
March	13,971	12,276	11,737	14,125
April	14,908	12,223	13,064	15,473
May	15,704	12,435	13,491	16,397
June	15,476	12,610	12,656	15,338
July	15,493	12,018	10,849	14,671
August	14,825	12,374	11,348	14,029
September	16,742	12,732	13,301	17,160
October	15,919	12,897	13,760	16,377
November	15,429	12,612	12,845	15,286
December	13,965	11,783	10,929	12,929

* Note that in this table figures represent merely book accounts, while in Tables XI, XII, and XIV, receivables includes Notes Receivable also.

We note each spring a rise March to June, a drop in July or August as wheat sales are applied to accounts, another peak in October due to fertilizer and seed sales followed by a reduction running thru to January or February. In comparing the columns one finds that much of the progress made up to 1936 had been lost in 1938.

Another angle from which to view accounts receivable is the rate of turnover. The 20 companies represented in the last two columns above had together in 1935 an average of accounts outstanding for the year of $234,377 and total collections on account of $1,159,557, which means a turnover of 4.9 times in the year or once in 74 days. In 1936 there was a turnover of 6.3 times or once every 58 days; in 1937, a turnover of 5.8 times or once every 63 days.

Why the large surpluses?

The average value of $1.57 for each dollar of stock outstanding indicates a generally healthy situation. When one looks more deeply he finds some 25 companies with surpluses of $5000 to $10,000, 30 with 10 to 20 thousand each, 20 with 20 to 30 thousand, and 25 with $30,000 to $50,000 or more - 3 of them in fact running 75 to 110 thousand dollars of surplus.

As he looks at these huge surpluses he may well wonder. But it is accounted for by two major facts, viz., original undercapitalization, and later expansion of original plans.

Literally dozens of companies originally capitalized at $15,000 to $20,000 are operating businesses utilizing today total assets of $30,000 to $50,000. This situation calls for surpluses of $5,000 to $20,000 and possibly some further borrowing, and all might arise without great expansion of original equipment and buildings.

Still other companies have expanded the original one or two elevators by buying or building branch plants, or warehouses, or shops, or lumber sheds, and have bought sizable inventories of hardware, machinery, tools, lumber, or general merchandise, not contemplated in the original set up. E.g., Grove City expanding from one elevator to three elevators, a lumber yard, and a hardware store has ample need for its $80,000 surplus; Rocky Ridge with its two added plants for its $75,000 surplus; Delaware's growth from two plants to five justifies the increase in capital and the $40,000 surplus; and so on to dozens of other illustrations.